



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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REPORTING PROCEDURES FOR QUALIFIED MEDICAL SERVICE ASSOCIATIONS

Issued August 15, 1980

What procedure should be followed by medical service bureaus, medical service corporations, hospital service organizations, and similar health care organizations when deductions on an excise tax return for a particular reporting period exceed gross income for that same period?

Rule 233 provides that all such organizations engaging in business within this state are subject to the provisions of the business and occupation tax under the Service and Other Business Activities classification upon gross income defined by RCW 82.04.080. Under the rule, however, if such an organization acts under contract solely as an agent of a physician, hospital or ambulance company for services rendered to members, it is allowed to deduct amounts paid to such persons when computing tax liability.

The Department of Revenue has ruled that when deductions for a tax reporting period exceed gross income for that same period it is proper to carry the minus taxable amount over to the next reporting period. This may be accomplished by reporting the same amount of deductions as gross income in the period that the negative balance occurs and then increasing the subsequent period's deduction by the minus taxable amount previously accrued.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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